ANNUAL REPORT

DEPARTMENT OF CO-OPERATIVE DEVELOPMENT

PROVINCE OF MANITOBA

FOR THE FISCAL YEAR

ENDING MARCH 31, 1982

HON. JOHN BUCKLASCHUK

MINISTER

RON POZERNICK

ACTING DEPUTY MINISTER

MANITOBA

MINISTER OF CO-OPERATIVE DEVELOPMENT

WINNIPEG R3C 0V8

Her Honour P. McGonigal,
Lieutenant-Governor of Manitoba,
Government House,
10 Kennedy Street,
Winnipeg, Manitoba

May It Please Your Honour:

I present herewith the Annual Report of The Department of Co-operative Development.

The report outlines the activities and accomplishments of the Department for the fiscal year ending March 31, 1982.

Respectfully submitted,

John Bucklaschuk

John Bucklaschuk, Minister

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THE DEPARTMENT OF CO-OPERATIVE DEVELOPMENT - AN OVERVIEW

The Department of Co-operative Development was established in 1971 to be responsible for promotion and development of co-operative enterprises in Manitoba.

With the passage of The Co-operatives Act in 1977 and The Credit Unions and Caisses Populaires Act in 1979, administration of the two Acts became the responsibility of the Department, thus adding a new and expanded dimension to its general role and activity.

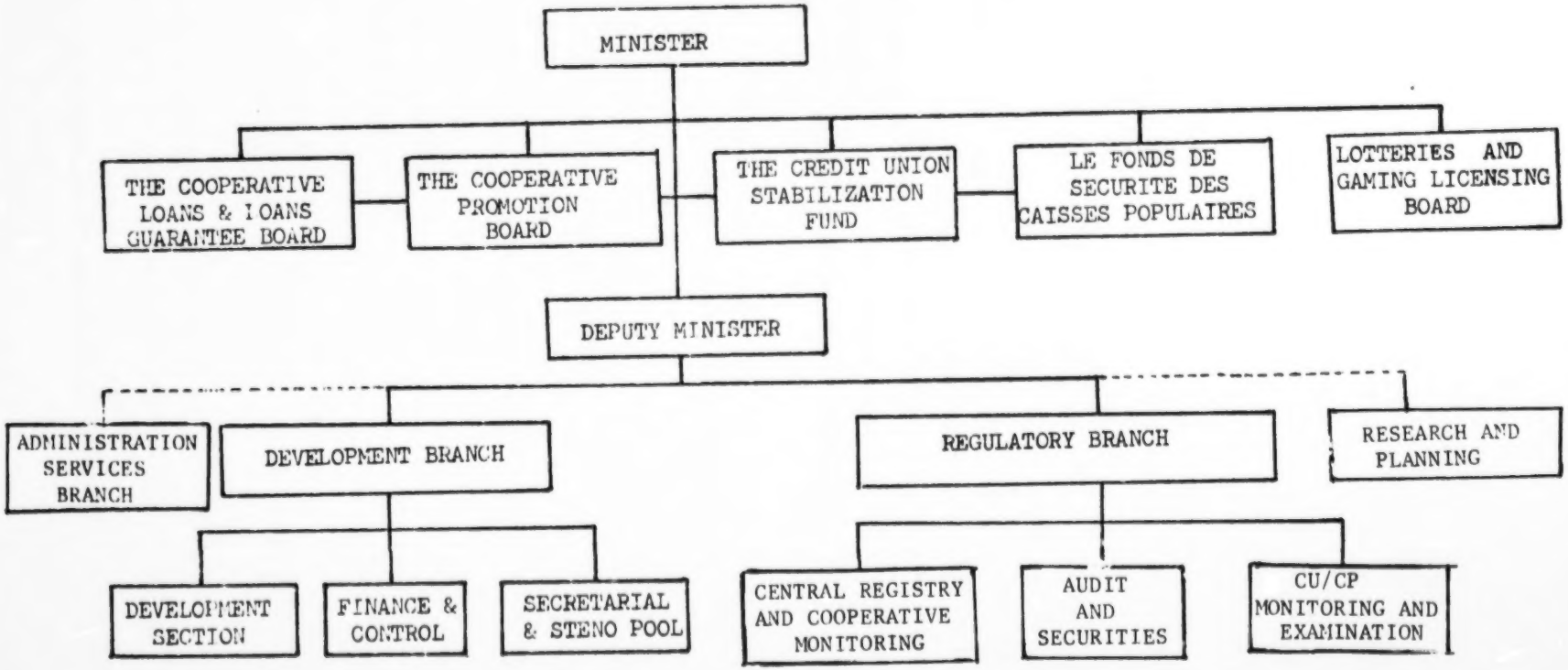
Today, its responsibility is divided into two distinct areas: Development and Regulation. Accordingly, the Department has been structured into two main branches to discharge its responsibility to some 470 co-operatives, credit unions and caisses populaires registered in the Province of Manitoba. The two branches of the Department are:

- Development
- Regulatory.

Administrative and Research support services are provided by the Department of Fitness, Recreation and Sport, by the respective branches of that Department.

In addition to its developmental and regulatory functions, the Department provides administrative services and are members to The Co-operative Loans and Loans Guarantee Board, The Co-operative Promotion Board and has representatives on various provincial and national societies including observer positions on the boards of the Credit Union Stabilization Fund and Le Fonds de Sécurité des Caisses Populaires and on the boards of the Credit Union Central and La Fédération des Caisses Populaires du Manitoba.

ORGANIZATION CHART



BOARDS RELATED TO THE DEPARTMENT OF CO-OPERATIVE DEVELOPMENT

THE CO-OPERATIVE PROMOTION BOARD

The Co-operative Promotion Board was established under the Wheat Board Trust Act to act as trustee for the original surplus funds of the Canadian Wheat Board apportioned to Manitoba by the Government of Canada - a sum of $128,000.00.

The income derived from the investment of these funds may be used by the Board for promotion and development of co-operatives as well as co-operative education.

The Deputy Minister of the Department of Co-operative Development serves as Chairman; the other members of the Board are representatives of Manitoba co-operatives appointed by the Lieutenant-Governor-in-Council.

Further information is contained in the Board's Annual Report which is tabled in the Legislature.

THE CO-OPERATIVE LOANS AND LOANS GUARANTEE BOARD

The Co-operative Loans and Loans Guarantee Board was established by The Co-operative Associations Loans and Loans Guarantee Act of 1971. The Board is empowered to make loans to, or guarantee loans made to, Manitoba co-operatives for productive purposes. Applicants to the Board must demonstrate that their project is economically viable and that the required financing is not available from other sources on reasonable terms.

The Co-operative Loans and Loans Guarantee Board consists of five members. The Deputy Minister of the Department of Co-operative Development serves as Chairman of the Board and another designated individual from the Department as Secretary. The other members are appointed by the Lieutenant-Governor-in-Council.

Further information on The Co-operative Loans and Loans Guarantee Board is contained in its Annual Report to the Legislature and the report of the Provincial Auditor.

THE CREDIT UNION STABILIZATION FUND

The Credit Union Stabilization Fund was established under The Credit Unions Act (1970). The main objective of the Fund is to guarantee the savings of all credit union members in Manitoba against losses and to establish sound financial procedures and controls for credit unions. The Fund is administered by a Board of five persons, who are appointed by the Lieutenant-Governor-in-Council. The Fund also acts as supervisor of credit unions and caisses populaires.

LE FONDS DE SECURITE DES CAISSES POPULAIRES DU MANITOBA

Le Fonds de Sécurité des Caisses Populaires, also established under The Credit Unions Act (1970), plays a role similar to the Credit Union Stabilization Fund for caisses populaires in Manitoba. Like the Stabilization Fund, it is administered by a Board of five persons, appointed by the Lieutenant-Governor-in-Council.

National Association of Administrators of Co-operative Legislation

The National Association of Administrators of Co-operative Legislation (N.A.A.C.L.) was formed to provide a forum for the free exchange of information, ideas, policies, methods and legislation related to co-operatives and credit unions. An annual conference and annual regional meetings are attended by members of the Association. Members of the association are administrators of such legislation representing all the provinces, federal government and the Northwest Territories.

DEVELOPMENT BRANCH

V. HRYSHKO, DIRECTOR

The Branch assumes responsibility for assisting the people of Manitoba to develop viable co-operative enterprises to the point of self-sufficiency and self-reliance in all areas of endeavor.

Assistance provided by the Branch includes information on co-operatives and other forms of business enterprise, assistance leading to incorporation, organization, training in management of business enterprise, management support, accounting training and services, as well as assisting co-operatives to comply with all legislation as it relates to co-operatives.

The Branch also provides full administrative services to The Co-operative Loans and Loans Guarantee Board, including management by contract, and acts as resource to The Co-operative Promotion Board, and provides administrative and secretarial services to the entire Department.

The Branch works with all co-operatives engaged in a wide spectrum of activity, most common of which are:

- Commercial Fisheries
- Consumer Co-operatives
- Agricultural Co-operatives
- Housing Co-operatives
- Day Care and Nursery School Co-operatives
- Health Care Co-operatives
- Service Co-operatives
- Recreational Co-operatives
- Credit Unions
- Manufacturing Co-operatives.

The Branch is divided into three Sections:

- Development
- Finance and Control
- Secretarial and Steno Pool

DEVELOPMENT SECTION

The Development Section provides developmental, operational management, management support and training to groups seeking incorporation and to co-operatives requesting this service. In addition, this section assists groups and communities to develop viable co-operative enterprises to the point of self-sufficienty and self-reliance through:

- Development of viable business enterprise;
- Creation and expansion of quality and range of employment opportunities;
- Development and utilization of local economic base and human resources;
- Provision of goods and services;
- People development through training in administration, management and control of business enterprise.

This section also administers all activities of The Co-operative Loans and Loans Guarantee Board.

SPECIFIC PROGRAMS

1.) INCORPORATION ASSISTANCE

a) Responding to groups seeking incorporation.
b) Attending meetings.
c) Provision of information on the free enterprise system.
d) Provision of information on co-operative system.
e) Provision of information on legal requirements.
f) Preparation of feasibility and/or viability studies, budgets, financial and operating forecasts.
g) Assistance with organization and preparation of by-laws, policies and documents prescribed by the Acts.

2.) TRAINING

a) Role and responsibilities of members, directors, management and staff.
b) Bookkeeping.
c) Management skills.
d) Policy and procedure development.
e) Preparation of budget and its use.
f) Control of business enterprise.
g) Merchandising, etc.

3.) MANAGEMENT SUPPORT

a) Operational planning.
b) Preparation of budgets.
c) Organization development.
d) Contracts and Agreements.
e) Supervision and co-ordination of government programs.
f) Administration of Management Agreements.
g) Review and analysis of operations.
h) Long range planning.
i) Operational management support.
j) Assistance with restatement of by-laws, etc., to comply with new Acts.

The operational output for the Development Section in 1981/82 was as follows:

- information sessions on the free enterprise system to co-operatives and specific interest groups.	15
- new incorporations	4
- training sessions for Boards of Directors	129
- training session for staff of co-operatives	20
- advisory and support services at Annual Meetings	30
- information sessions on co-operative securities	15
- Budget development and/or assessment	50
- Management and administrative assistance	49

FINANCE AND CONTROL SECTION

This Section is responsible for provision of accounting and financial management services to qualifying non-affiliated co-operatives in Manitoba. Major efforts are directed at Northern Manitoba in remote and isolated communities where this service is needed most and where in many instances it is not available. This Section is a support service to the Development Branch.

SPECIFIC PROGRAMS

1. Accounting Services
2. Financial Statement Preparation.
3. Design of Accounting System.
4. Financial Counselling and Analysis.
5. Finance and Control Policy Development.
6. Viability Studies and Financial Projections.
7. Assistance in Capital Procurement.
8. Advice to Registrar on Incorporation.
9. Advice to Registrar and assistance with dissolutions when requested.
10. Resource to The Co-operative Loans and Loans Guarantee Board.
11. Training assistance to co-operative in financial management and control.

The operational output for this Section in 1981/82 was as follows:

- Fish tickets	7200
- Supply sales reports reviewed	2658
- Payrolls checked or completed	140
- Cheque registers checked	198
- Fish sale vouchers reviewed	120
- Banks statements reconciled	168
- Financial Statements	14
- Interim Statements	30
- Records of Employment	270
- T-4F's and t-4A's	555

SECRETARIAL AND STENO POOL SECTION

This Section provides secretarial and typing services to all branches of the Department. It is also responsible for the administration of the Resource Centre (Library), Audio Visual Equipment, Motor Vehicle Pool and a variety of other administrative functions.

REGULATORY BRANCH

H. JOHNSTONE, DIRECTOR

This Branch is responsible for administration of The Co-operatives Act and The Credit Unions and Caisses Populaires Act. It includes the operation of a Central Registry, provision of an Audit service for qualifying co-operatives, and a Securities Section to protect investors in co-operatives. It includes also an Examination and Monitoring program for the collection and review of operational information of credit unions, caisses populaires and co-operatives. Another activity of involvement for the Branch is the Law Review Committee and acting as observer on several boards of credit union/caisse populaire central organizations. In addition, the Regulatory Branch is generally an advisor and supervisor of credit unions.

CENTRAL REGISTRY AND CO-OPERATIVE MONITORING SECTION

CENTRAL REGISTRY

This Section maintains a registry of incorporating documents of co-operatives, credit unions and caisses populaires operating in Manitoba. It provides a facility for the public to search any of these documents as required by The Co-operatives Act and The Credit Unions and Caisses Populaires Act. This Section also acts as a resource to the Department and the system, assisting in drafting of documents, their evaluation and registration.

Operational output for 1981/82 was as follows:

- drafted, reviewed, approved Articles and By-laws of 53 co-operatives and 100 credit unions.

Articles of continuance	1
Incorporations	15
Amending articles	77
Mergers	5
Statement of intent to dissolve	2
Dissolutions	5
Offering statement and change in facts	7
By-laws and amendments	118

Revocation of intent to dissolve	1
Extra provincial registration	3

- prepared and placed 133 notices in the Manitoba Gazette;
- collected and examined Annual Returns of 469 co-operatives and credit unions;
- collected and examined financial statements of 469 co-operatives and credit unions;
- prepared statistics and reports on the status of co-operatives and credit unions in Manitoba;
- investigated and placed 9 credit unions under supervision of The Stabilization Fund and released 5 from supervision;
- drafted and prepared for passage/amendment to The Credit Unions and Caisses Populaires Act and the Regulations under the Act affecting 6 sections;
- responded to 104 requests for copies of legal documents on file with Central Registry, Certificates of Status and Searches;
- penalized, and assessed 50 co-operatives and credit unions for late filing of Annual Returns and implemented follow-up action to collect;
- investigated 21 complaints lodged by members of co-operatives and credit unions against their organizations.

CO-OPERATIVE MONITORING

The monitoring of co-operatives involves the collection of statistical and operational information from Annual Returns and other reports. This results in determining compliance, viability and providing summary annual reports.

Operational output was the consolidation of 160 co-operative financial statements.

AUDIT AND SECURITIES SECTION

AUDIT

This Section provides an audit service to qualifying co-operatives in accordance with the standards of The Co-operatives Act and Regulations, set out in the handbook of "The Canadian Institute of Chartered Accountants" by:

1) using audit programs designed to suit a particular type of co-operative;
2) reporting the findings to the various Co-operative Boards and expressing an audit opinion on the annual financial statements presented to the members;
3) recommending improvements to management regarding their information and reporting systems;

4) attending meetings of management and boards of directors to review and interpret their financial statements.

The operational output for this Section in 1981/82 was as follows:

- provided audit services to 61 co-operatives performing 62 audits;
- prepared 45 corporate income tax returns;
- provided adjusting and closing accounting entries for all clients;
- prepared notices of objections to income tax assessments for 2 clients;
- attended 15 annual members meetings;
- attended 30 board and management meetings;
- prepared schedule for refinancing one housing co-operative;
- attended stock taking - 5 clients.

SECURITIES

Certain share and debt issues of co-operatives require the approval of the Registrar before being offered to their members or the public. The main purpose is to protect the members of co-operatives and the public by filing only those offering statements where full, true and plain disclosure of all material facts is provided. It is necessary that there be reasonable grounds for believing that the proceeds from the sale of the shares or securities together with other resources of the co-operative are sufficient to accomplish the purposes of the issue.

Since certification of co-operative securities became a requirement under The Co-operatives Act of 1977, some have been handled by the Securities Commission and some by the Department. Co-operatives have made it clear that they prefer the Department to handle them.

It is desirable that members and prospective members of co-operatives and the public have all the facts explained before deciding to invest in securities offered by co-operatives.

Operational output for 1981/82 was as follows:

- developed for implementation standards of disclosure of financial and other information;
- received and reviewed 15 offering statements, approving 6.

CREDIT UNION AND CAISSE POPULAIRE MONITORING AND EXAMINATION SECTION

MONITORING

The monitoring of operations of credit unions, caisses populaires and their central organizations in Manitoba provides information as to their compliance with legislation and their maintenance of adequate liquidity and reserves. The information received is analyzed to indicate changes and trends in their operation and assists in priorizing examinations. Consolidated statistical reports can be compiled on a periodic basis.

Operational output in 1981/82 amounted to:

1) consolidation of financial statements for 123 credit unions and 30 caisses populaires;
2) compilation of quarterly statistics for 123 credit unions and 30 caisses populaires.

EXAMINATION

This program consists of examining the operations of credit unions and caisses populaires and their centrals to determine viability, compliance with legislation and the level of their operational skills and controls. The operational examination will integrate with but not duplicate the financial audit. Reports of credit union examinations will be distributed to their respective management and Boards as well as to the Credit Union Central and the Credit Union Stabilization Fund. Reports on caisse populaire examinations will be distributed to their management and Boards and La Fédération des Caisses Populaires du Manitoba and Le Fonds de Sécurité des Caisses Populaires.

Operational output in 1981/82 involved the development of an examination program.

RESEARCH AND PLANNING BRANCH

W. HADIKIN, DIRECTOR

The Research and Planning Section offers both general and specialized services to the Department of Co-operative Development and the Department of Fitness, Recreation and Amateur Sport. Almost all projects that are handled by the Section involve certain degrees of research, analysis, evaluation and recommendations for planning or policy development. Often it is difficult to classify specific projects into any particular activity category. With this understanding, a list of general activity areas are listed below:

1. SPECIALIZED RESEARCH SERVICES

Most projects undertaken have a research component but in most cases the projects require specialized skills in survey design, data gatherings, statistical and computer analysis, and data interpretation that leads to accurate recommendations for planning or policy input.

2. ORGANIZATIONAL DEVELOPMENT AND MANAGEMENT

Organization development involves the bringing together of various groups (Branches) of the Department and working out logistical problems and concerns that hinder job efficiency and effectiveness. The Research and Planning Branch is responsible to co-ordinate and facilitate these sessions with the intent of problem resolution.

3. PLANNING AND EVALUATION

For the most part this major activity area involves an ongoing systematic process whereby Departmental program needs, goals, objectives and delivery systems are examined. Most of the planning and evaluation activities carried out have been in the Regulatory Section.

4. LONG-RANGE PLANNING

The Research and Planning Section is charged with the responsibility to develop a three to five year overall Departmental plan that involves desired goals and required resources. The development of the Departmental plan will provide a working framework tying in the goals, objectives and programs on a longer term basis.

5. SPECIAL PROJECTS

The projects become special because of the urgency of the work, involvement with unusual working circumstances, or direction directly from the Minister.

6. OPERATIONAL OUTPUT

Some examples of projects undertaken by Research and Planning in 1981/82 were:

	PROJECT	INTENT
1.	Bank and Trust Company Failures	- Study to show factors behind bank and trust company failures.
2.	Federal Reserve System	- Evaluate the operations and implication of the U.S. banking system.
3.	Review of Credit Union Development in the United States	- Develop an information base that would have planning input into the Manitoba situation.
4.	Deposit Insurance	- Historical background of and the rationale for deposit insurance.
5.	Canadian International Development Agency (C.I.D.A.) Foreign Aid Projects	- A listing of the foreign aid projects over $100,000.00 for the last four years.

PROJECT	INTENT
6. Credit Union Law Review Survey	- To determine what concepts and concerns the credit union system in Manitoba has regarding credit union legislation.
7. Debit Card - Pros and Cons	- Pros and cons of the credit card and the rationalization and justification of the debit card plan for credit unions.
8. Various statistical packages e.g. number of co-operatives by category, their membership and asset range - population projections for Manitoba to 2001 - Gross Domestic Product for Manitoba (trend) - Credit Union Asset Trend over the last 20 years.	- Requests from Directors and Deputy Minister.
9. Examination of credit union centrals in other Provinces.	- To determine the extent of responsibility Centrals have in other provinces towards the Registrars.
10. Participation on Boards and Committees a) Manitoba Regional Council b) Resources Curriculum Committee c) Data Users Committee.	- Departmental representation.

ADMINISTRATIVE SERVICES BRANCH

R.P. POZERNICK, DIRECTOR

The Administrative Services Branch provides the Department and its Boards with a centralized service in administrative related functions. In general, these functions include budgets, accounts payable, accounts receivable, payrolls, personnel and other general administrative and legal matters. In addition, Administrative Services is responsible for ensuring compliance with established administrative policies and directives and for monitoring departmental spending.

In 1981/82 the Department of Co-operative Development had an approved staffing level of 34.26 staff man years and employed an additional student during the summer months under the S.T.E.P. In Government Program.

During the 1981/82 fiscal year, the Department of Co-operative Development expended the following amounts on the programs indicated:

PROGRAM	1981/82 ACTUAL EXPENDITURES
General Administration	$ 93,199
Lotteries & Gaming Licensing Board	179,934
Co-op and Credit Union Development	577,882
Co-op and Credit Union Regulatory	291,693
Credit Unions System Review	59,707
TOTAL	$1,202,415

Revenues received by the Department of Co-operative Development for the 1981/82 fiscal year were as follows:

SOURCE	1981/82 ACTUAL REVENUES
Lotteries & Gaming Licensing Board	$1,232,694
Registration Fees, etc.	11,051
Rental of Owned Facilities	30,812
Miscellaneous Recoveries	25,233
Other	493
TOTAL	$1,300,283